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C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 001075

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SUBJECT: CONSERVATIVE GOVERNMENT TAKES POWER IN PRAGUE -
BUT FOR HOW LONG?

REF: PRAGUE 1074

Classified By: Political-Economic Counselor Michael Dodman for reasons
1.4 b+d

11. SUMMARY (C) Czech President Klaus appointed formally appointed a minority government led by incoming Prime Minister Mirek Topolánek on Monday, September 4, bringing to an end eight years of Social Democrat-led government and thirteen weeks of uncertainty following the June 2-3 elections. Topolánek's government, which includes as its foreign minister Sasha Vondra, a well-respected former Czech Ambassador in Washington, has already demonstrated its robust approach to transatlantic relations with strong statements in support of missile defense (which generated in turn harsh rhetoric from the outgoing Prime Minister, reftel). The new government's prospects are uncertain, however. Topolánek has until October 4 to seek a vote of confidence in Parliament, and has already indicated he will seek the vote on the last possible day. Most observers believe the government is unlikely to pass, but will be asked to stay on for a certain number of months until the next government is formed. Topolánek himself is acknowledging that his cabinet is a temporary, bridging government to lead the nation to early elections next spring, making it unlikely that he will launch any new long-term initiatives. While it lasts, Topolánek's government, for which biographies are included below, should be good for bilateral relations. END SUMMARY

12. (U) During the thirteen weeks following the June 2-3 general election, which resulted in a 100-100 left-right draw in the 200-seat parliament, Mirek Topolánek, Chairman of the center-right Civic Democrats (ODS), initiated discussion with several partners on possible coalitions. He initially signed a three-party coalition agreement with the Christian Democrats and the Greens, but was eventually forced to acknowledge that this coalition could only muster 100 votes and would be unlikely to pass the vote of confidence. In early August he was close to an agreement with his main rivals, the Social Democrats (CSSD), on an agreement that would have established a minority ODS government supported by CSSD. But outgoing Prime Minister and CSSD Chairperson Jiri Paroubek broke off the talks and in the end Topolánek was forced to go it alone. Topolánek's party, while the largest in the new Chamber of Deputies, has only 81 seats, twenty shy of what it needs to pass the vote of confidence. To a large extent, Topolánek's cabinet, as well as many of his government's plans, are based on the initial three-party coalition agreement, which could mean that his jilted former partners the Christian Democrats and the Greens might contribute their 19 votes, leaving him again just one vote short of what he would need.

13. (C) The consensus is that Topolanek's chances of winning the vote of confidence are not good. Ondrej Liska, head of the parliamentary faction for the Greens, who has been meeting Topolanek to discuss the terms under which the Greens might support the minority ODS government, told us September 1 that "chances are 99.9% that Topolanek will fail the vote of confidence." Jiri Dolejs, Deputy Chairman of the Communists, told post August 29 that "Topolanek has no chance, no hope." Jan Hamacek, CSSD foreign policy expert, advisor to former Prime Minister Jiri Paroubek and possible candidate for Chairman of the parliamentary committee on foreign affairs, told post August 17 that he thought Topolanek would certainly fail. Even an ODS party advisor indicated in discussion on September 4 that the prospects for the vote were so uncertain that the new government would refrain from making many senior appointments this month. Political Scientist Vladimira Dvorakova said September 1 that she didn't think Topolanek would succeed and explained that, although it might be in the best interest of the nation, with Senate and local elections just six weeks away it is not in the interest of political parties to make compromises at this time. Dvorakova also emphasized the personal animosities and general polarization that have characterized the post-election period. In the event the new Topolanek government fails its vote of confidence, it would offer its resignation but be asked to stay on until another government is formed, a step for which the Czech constitution contains no deadlines.

14. (U) Topolanek has set limited goals for his government, including progress on the budget, advancing economic reforms (including pension and tax), and supporting a possible U.S. missile defense site in the Czech Republic. He admits that his administration will be a "bridging" government that will

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lead the nation into early elections next year, though talk of early elections needs to be taken with an entire shaker of salt, as the mechanism for calling early elections, in addition to being extremely unwieldy and time consuming, requires almost unanimous political support. The principal mechanism for bringing about early elections is a series of three consecutive unsuccessful attempts to form governments. Although Topolanek tried, informally, to create a variety of coalitions, this minority government is the first formal attempt. This government will have its vote of confidence early in October. A second attempt would be unlikely until after the Senate and local elections that will take place October 20-21 (with the second round of Senate elections two weeks later), meaning the second attempt would not start until 5 months after the election. For the immediate future, political uncertainty is a given.

15. (C) But while this government lasts, it should be good for U.S.-Czech relations. ODS has been the most reliably pro-American party on the political scene; many members of the new government have ties to the United States. In its first day, Topolanek and the new Foreign and Defense Ministers all made comments very supportive of missile defense (prompting a war of words between FM Vondra and CSSD Chair Paroubek, reftel). Vondra, in particular, is a close friend of the United States, although that does not mean we will not enjoy trouble-free relations: also in his first day Vondra criticized the American visa regime for being unfair.

The new Defense Minister, Jiri Sedivy has been on the faculty of the George Marshall Center in Garmisch. In the original three-party coalition agreement, Topolanek had proposed creating a new ministry for EU affairs, largely as a sop to his pro-European partners, the Greens. In the new ODS minority government, that ministry has been dropped, reflecting, perhaps, the skepticism about the EU that runs deep in the ODS leadership. But the designated minister for that post, former Czech Consul General in NY Petr Gandalovic, is still in the cabinet as minister for regional affairs.

16. (SBU) The Topolanek cabinet contains 14 members, three

fewer than Paroubek's (the Ministry of Informatics is to be abolished; the duties of the Minister for Legislative Affairs will be handled by the Justice Minister; and there is no Deputy PM for Economics). Six of the members are not ODS members.

Minister of Foreign Affairs: Alexandr (Sasha) Vondra, 45. Vondra was a dissident and spokesperson for the Charter 77 movement. He spent six years as Deputy Foreign Minister and was the Czech Ambassador to Washington, as well as an advisor to President Vaclav Havel. Vondra is not a member of ODS, but will run for the Senate on the ODS ticket in October. In fact, Vondra will be tied up campaigning for the next 6 weeks and will be unable to focus exclusively on his new position at the Ministry of Foreign Affairs. Vondra has already promised continuity in Czech foreign policy and plans few personnel changes. He will retain Deputy Foreign Minister Tomas Pojar and promote him to Senior Deputy.

Minister of Defense: Jiri Sedivy, 46. Sedivy is also unaffiliated and, like Vondra, was an advisor to President Havel, from 1996 - 2002. Sedivy is on the faculty of the George C. Marshall Center in Garmisch, where he lectures in European Politics and Security. Before taking up that post, he was the Director of the Institute for International Relations in Prague. His father, Jaroslav Sedivy, was Foreign Minister under the caretaker Tosovsky government in 1998.

Minister of Finance: Vlastimil Tlusty, 51. Tlusty was the ODS shadow Finance Minister and author of its flat tax plan.

Minister of Labor and Social Affairs: Petr Necas, 41. Necas is the ODS Deputy Chair. He is a long-time parliamentarian and was for much of the recent past the party's Shadow Defense Minister. He previously served as Deputy Minister of Defense.

Minister of Interior: Ivan Langer, 39. Langer (who, along with Vondra, was the proposed minister that caused the greatest concern for CSSD Chairman Paroubek) is a long-time ODS parliamentarian, party functionary, and most recently the party's shadow Interior Minister.

Minister for Regional Development: Petr Gandalovic, 42. Gandalovic is the former Mayor of Usti Nad Labem. He was the Czech Consul General in New York from 1997 - 2002.

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Gandalovic will be responsible for helping Czechs draw on EU funds.

Minister of Justice: Jiri Pospisil, 30. Young ODS parliamentarian and shadow Justice Minister. Pospisil has limited English but is widely respected for his knowledge of the law and sense of judgment.

Minister of Culture: Martin Stepanek, 59. Stepanek, unaffiliated, is a well known actor and director. He began working for Radio Free Europe when he moved to Munich in 1983 and continued with RFE when it moved to Prague in 1994.

Minister of Health: Tomas Julinek, 49. Julinek is a medical doctor and ODS Senator. He was the ODS shadow Health Minister and a vitriolic critic of his predecessor, CSSD Minister for Health David Rath.

Minister of Industry: Martin Riman, 45. Riman is a former Transportation Minister and long-time member of the ODS shadow government.

Minister of the Environment: Petr Kalas, 66. Kalas is unaffiliated and an emigre who lived for many years in Switzerland. He worked for the World Bank. Kalas was a last-minute replacement for ODS Shadow Environment Minister Bedrich Moldan who is rumored to have been passed over

because of his Communist past.

Minister of Transportation: Ales Rebicek, 40. Rebicek is a young ODS Parliamentarian, though more of a technical expert than a political leader. His background is in transportation engineering.

Minister of Education: Miroslava Kopicova, 55. Kopicova, unaffiliated, is one of only two women in the cabinet. She was previously Director of the National Education Fund.

Minister of Agriculture: Milena Vicenova. Vicenova, unaffiliated, was previously Director of a department within the Ministry of Education. She has participated in the USDA Cochran Program.

¶7. COMMENT: (SBU) The Topolanek government should be good for U.S. interests. The big question is whether it will be around for long enough to make significant changes. The government will try to at least prepare for reforms in health care and pensions, and it will, if it chooses, be able to introduce some changes to the 2007 budget, which must advance during the fall. Some personnel changes at the Deputy Minister level will be made. If it passes the vote of confidence, it will rule at least through next spring and possibly longer, but will still face tough opposition by CSSD and the Communists on every attempt to pass meaningful reforms in social programs.

¶8. (SBU) If it fails the vote of confidence, there will likely be changes in the ODS leadership when the party has its annual Congress in November. Whether President Klaus will give former Prime Minister Paroubek the second chance to form a government, as Paroubek wishes and predicts, or whether Klaus will give it to another ODS leader, such as Prague Mayor Pavel Bem, is at this time still a matter of speculation. The prolonged uncertainty and political polarization during the difficult talks to form a coalition government following the June elections will only be exacerbated by the upcoming October elections for the Senate and local governments. The last time the two main parties signed a politically expedient opposition agreement (following the 1998 elections) there were negative consequences for both in the local elections. Right now -- following the collapse of talks on just such an opposition agreement -- ODS and CSSD don't even seem to be talking to each other. In addition, since the President is elected by both houses of parliament, the October senatorial elections could have an impact on Klaus' plans for re-election in 2008, meaning his role in the ongoing political debate could change. Finally, the October elections will give political parties a better feel for their standing with voters, thereby affecting the parties' willingness to accept early elections.

The new Topolanek government is just beginning, and instability and political uncertainty will dog its early days. The forecast for the next two months: cloudy.

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